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SUBJECT: PAVOL RUSKO: THE SLOVAK BERLUSCONI WANNA-BE

Classified By: Charge d'Affaires Scott N. Thayer for reasons 1.4 (b) and (d). Contains Business Proprietary Information.

11. (C) Summary. The leader of the New Citizens Alliance Party (ANO), Minister of Economy Pavol Rusko, has been a controversial figure within Slovakia's ruling coalition government and is the leading cause of its internal tensions. His continued dominance of the largest private broadcaster in Slovakia, TV Markiza, has brought him political influence, powerful enemies, and clashes with the American majority shareholder. As Minister, Rusko enjoys criminal immunity and has considerable influence over a variety of business dealings. His ministry has been successful in attracting foreign investors to Slovakia, and he is quick to claim credit for the country's impressive economic performance. His critics give the credit to others, saying investment comes not because of Rusko, but in spite of him. On the domestic scene, Rusko's strained relations with coalition partners and falling popularity poll numbers have led to speculation that he will seek to merge ANO with another party to stay in politics. End summary.

MEDIA IS THE MESSAGE

12. (C) Rusko began his career as a sportscaster for state television during the socialist period. When Central European Media Enterprises (CME) -- an American media firm -- sought local partners to participate in its establishment of a private TV network in Slovakia named Markiza, Rusko and three partners were recruited. They put up very little equity and receive relatively little of Markiza's considerable profits, but control the license, which expires in 2007.

13. (C) Rusko's influence over programming and staffing at Markiza has produced skewed favorable coverage of Rusko and ANO that has fed his political fortunes. Independent media analysts and the Media Council confirm the bias, and the station has been fined several times as a result. License renewal is, as a result, very much in jeopardy. Rusko was forced in 2003 to transfer his shares to a front man to avoid conflict-of-interest appearances, but retains de facto control of the shares and the station.

14. (C) CME has sought to buy out Rusko and his partners for several years, fearing his political antics will lead to denial of the license renewal and thus a complete loss of their considerable investment. Several times CME and Rusko have reached agreement on terms, conditions, and price, only to have him back away at the last minute. His partners are eager to sell but are barred through interlocking agreements from doing so. CME has told us they will begin this fall to publicly distance themselves from Rusko in hopes of either forcing him to truly divest or to convince the Media Council to somehow grant them exclusive control of the license.

ANY PARTY WILL DO

15. (C) ANO has been referred to as a one-man political party operating within a four-party coalition government. Ivan Svejna, Chairman of the Board of the Hayek Foundation, the most important Slovak economic think tank, commented that the media-mogul-turned-politician does not care if the government is rightist, leftist, or in the middle as long as he is in it. ANO came to power as a pro-business, socially liberal party, but seems to favor a stronger central government now that Rusko is a minister. Jan Oravec, President of the Slovak Entrepreneurs Association, said that Rusko wants to remain as the Minister of Economy above all else, and if that meant joining another political party he would certainly do so. Slovak MPs and cabinet members enjoy criminal immunity, and rumors of shady dealings in his business career prior to politics suggest Rusko has other reasons to remain in government.

16. (C) Months ago there were rumors that Rusko sought to merge ANO, which has suffered a mass exodus of MPs and is now precariously close to the five percent of voter support

necessary to remain in parliament after 2006, with Prime Minister Mikulas Dzurinda's Slovak Democratic and Christian Union Party (SDKU). In meetings with emboffs, coalition MPs from both the Christian Democrat Party (KDH) and the Hungarian Coalition Party (SMK), were convinced a deal was in the works. However, ANO MPs Beata Brestenska and Eva Cerna confided that although they had individually received offers to "defect" to other parties, they planned to stay with ANO and try to resuscitate poll ratings. They believed that as "liberals" on issues such as religion, abortion, social issues, and education, ANO filled a void on the Slovak political scene. In March, SDKU secretary Kamil Homola told

emboffs that SDKU was reluctant to absorb Rusko. Homola wasn't sure adding ANO would boost SDKU's popularity, saying Rusko might be more of a liability than an asset. Foreign Minister Kukan told Charge July 15 that he thought there was a "good chance Rusko will not be in the coalition" by October, and we have heard similar comments from within ANO. What is not clear is whether Rusko alone, or ANO altogether, would leave. Given ANO's shaky poll numbers and Prime Minister Dzurinda's ability to create "coalitions of the willing" to pass legislation, ANO's departure would not likely result in the fall of the government and early elections.

17. (C) Both Oravec and Svejna told econoffs that Rusko offered to merge ANO with the Free Forum Party (FF), a group of MPs that broke away from the SDKU, but that he was turned down. In recent months FF has only polled between 1.6 and 4.0 percent support. Still another scenario has Rusko selling ANO, and theoretically its supporters, to SDKU shortly before the parliamentary elections in September 2006 if the party's chances of winning five percent are too remote. However, other analysts have challenged this idea, saying Rusko could not guarantee his supporters would follow him to SDKU, or conversely, many might decide to vote for SDKU anyway once they realized that ANO's chances of success were poor.

18. (C) Eva Cerna described "our Palo" (an affectionate nickname for Pavol) as a good manager who takes quick decisions, but as a terrible judge of character. She said he "holds on too long" to people who damage him and the party. He is not diplomatic enough to be a good politician; he still doesn't realize he can't run a party like a business. Many of the appointments made by Rusko have been to staunch loyalists, including Slovak commercial officers throughout the world. In turn, Rusko is excessively loyal and reportedly changed his stance on nuclear energy, a land dispute involving an investment by Hyundai/Kia, and the privatization of the Slovak National theater to help friends' business plans.

19. (C) Some analysts claimed that Rusko's own business interests are his biggest motivation to remain in government. Markiza is only the most obvious; as the Minister of Economy, Rusko has sway over several partially state-owned companies. He was rumored to receive kickbacks on many of the contracts related to the Hyundai/Kia investment. Rumors of corrupt practices in Rusko's ministry abound; an NGO specialist in writing EU grant applications on behalf of towns and cities told us it was not uncommon for Ministry of Economy employees to request up to ten percent to approve individual projects.

WITH PARTNERS LIKE THESE

10. (C) Rusko has increasingly been at odds with his coalition partner, Christian Democratic Movement (KDH), notably over social issues such as abortion, mandatory religious/ethics education, church property issues, etc. Recently, his party did not support education reform legislation with which it basically agreed because of animus toward the Christian Democratic Movement's (KDH) Minister of Education, Martin Fronc, who had numerous personality conflicts with the ANO State Secretary Frantisek Toth (now Minister of Culture). Not only did the legislation fail, but subsequent tiffs over Fronc's suitability as minister led to a KDH threat to call for early elections. Things have cooled down somewhat, but we predict more difficult moments as the election campaign begins and ANO focuses on church-state separation issues. Milan Hort, the SDKU party whip, told poloffs in a discussion about the coalition that ANO should pick some principles and stick to them, rather than shifting around trying to gain a percentage point in Slovakia's monthly popularity polls.

11. (C) Rusko at times seems to suffer from a lack of self-control. At a major conference of automotive executives in April, Rusko spent his 15 minute speech rampaging against KDH Education Minister Fronc and the "inadequate" Slovak education system. Similarly, at a press conference to commemorate the opening of the \$500 million Ford transmission

plant, Rusko ranted about the stupidity of the Cabinet's Hankook decision (see para 15), proclaimed he could "not be in the same room" as the Prime Minister, and said not a word about the plant opening. The Ford official sitting next to him was stunned.

DON'T TAKE IT PERSONALLY

112. (C) Rusko appears to hold a grudge against the SDKU's

influential Minister of Finance, Ivan Miklos. According to Svejna, Rusko takes things very personally and was upset that the GOS preferred Miklos' proposal for achieving the EU's Lisbon Agenda of economic competitiveness over his own. The Lisbon Agenda could be a major platform for the SDKU in the 2006 elections and Rusko submitted his proposal well before Miklos. Arguably, Miklos' proposal was a reaction to Rusko's, but Oravec, an advisor to the GOS on the subject, found Miklos' work to be far superior. Oravec commented that Rusko's proposal was vague, had aspects similar to a command economy and depended on large amounts of state aid to companies that would be decided by Rusko. In contrast, Miklos' proposal targeted future growth in research and development, information technology and education; and was not simply dependent on today's ideas. Comment: Oravec noted that Rusko was angry with him for favoring Miklos plan, and it was obvious that Oravec relished the situation. End comment.

113. (C) Svejna said that Rusko wanted to be the "star" of foreign investments coming to Slovakia, but he had a problem of talking too much. He has announced investments to the media prior to their negotiations being completed and exaggerated the amount of potential investments coming to the country (he announced this week that "six to eight investments worth USD 2.2 billion" were on the verge of completion, and would need almost USD 400 million in incentives). Oravec added that Slovakia was successful in winning the USD 1.2 billion Hyundai/Kia investment in Zilina in spite of Rusko, not because of him. This investment remains mired in legal challenges due to the way that the Ministry of Economy managed the acquisition of the land required for the new plant. A small percentage of land owners refused to sell their land at the independently determined price and demanded a price three times higher. Rusko repeatedly refused to negotiate with the holdouts, and then after more than a year he recommended that the GOS give in to their demands, which it refused to do.

114. (C) Whirlpool is facing a similar situation. When it sought Rusko's help in obtaining land next to its existing plant in Poprad, he suggested they use a particular assessor to "speed up" the project. Instead, the assessment has taken months while several of the plots have mysteriously been reregistered to new owners. The impression is that this is KIA all over again.

115. (C) Miklos and Rusko have clashed most recently over an investment incentive package Rusko negotiated with Korean tire-maker Hankook to build a \$500 million factory in Levice, an economically-depressed city in the Hungarian part of the country. Rusko tried to slam-dunk the package, providing no data in advance and insisting the Cabinet approve the six-inch-thick proposal on the spot. Led by Miklos, the Cabinet rejected the package's enormous cost per job created; even the Hungarian party rejected it. A participant in the meeting said Rusko's proposal lacked credibility -- when an ally proposed lopping SK 1 billion off the SK 21 billion package, Rusko readily agreed, saying it would not be necessary to even consult Hankook! As a result others were left wondering how much more could be similarly and unilaterally eliminated and whose interests Rusko was really pursuing.

CAR TROUBLE

116. (SBU) In an unfortunate bit of publicity in early 2005, Austrian police fined Rusko almost USD 3,000 for driving his car 248 kilometers/hour (156 miles/hour) in a 100 k/h zone of highway. Rusko failed to slow down for several minutes and the police almost had to stop pursuing him because they said his rate of speed was too dangerous. Devoid of remorse, Rusko's comment to the media was, "My car has great acceleration." Reportedly, before entering politics, Rusko crashed a Porsche into a guard rail during a test drive and walked away from the accident without reporting it to the car dealer. When the car dealer eventually contacted him, Rusko complained that the car was unsafe and that the dealer should feel fortunate that Rusko was not going to sue him.

COMMENT

17. (C) Rusko has been in the middle of numerous significant events, both good and bad, during his time in the GOS. He is increasingly at odds with his coalition partners, but as the Minister of Economy has been able to claim credit for Slovakia's enviable performance in attracting foreign investment. Whether he deserves this credit is debatable. However, Rusko has enough savvy that he will likely convince a sufficient number of people that he deserves to be in the

GOS, and with or without ANO, he will probably survive the 2006 elections. If he tried to become more of a team player, rather than maintaining a personality that reflects his driving style, his chances would no doubt improve dramatically.

THAYER

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